
Introduced by Senator Scott

February 22, 2005

An act to add Section 12375.5 to the Insurance Code, relating to title insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 745, as introduced, Scott. Title insurance: mergers and acquisitions.

Existing law generally regulates title insurers and underwritten title companies, including any transfer that, in effect, merges an insurer with the business or property of another person or entity.

This bill would provide that specified mergers involving a title insurer or underwritten title company may not be entered into unless the insurer or company has notified the commissioner in writing of its intention to enter into the transaction at least 60 days prior thereto, or a shorter period as the commissioner may require, and the commissioner has not disapproved the proposed license within that period. The bill would require the commissioner to impose a fee in an unspecified amount for filing this notice.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 12375.5 is added to the Insurance Code,
2 to read:
3 12375.5. (a) (1) Notwithstanding any other provision of law,
4 a transaction listed in subparagraph (A), (B), or (C) involving a
5 title insurer, as defined in Section 12340.4, and any person, as
6 defined in subdivision (e) of Section 1215, who is part of its

1 holding company system, shall not be entered into unless the
2 insurer has notified the commissioner in writing of its intention
3 to enter into the transaction at least 60 days prior thereto, or a
4 shorter period as the commissioner may require, and the
5 commissioner has not disapproved the proposed license within
6 that period. The commissioner shall require the payment of a fee
7 of _____ dollars (\$____) for filings under this
8 subdivision.

9 (A) The purchase of all or substantially all of the assets of an
10 underwritten title company.

11 (B) The acquisition of outstanding shares of an underwritten
12 title company.

13 (C) The merger of an underwritten title company into the title
14 insurer or a person in the holding company system.

15 (2) This subdivision shall apply only if the value of the
16 proposed transaction is equal to the lesser of 3 percent of the
17 insurer's admitted assets or 25 percent of the policy holder's
18 surplus as of the preceding December 31st and, in the case of a
19 person with an insurance holding company system, the person
20 has a net worth of not less than two million dollars (\$2,000,000).

21 (3) The notification required pursuant to this subdivision shall
22 also constitute a request for consent by any person required to
23 obtain consent under Section 1011.5. The failure of the
24 commissioner to disapprove the transaction shall constitute
25 consent for purposes of Section 1011, and shall also constitute
26 consent to the transfer of any shares the transfer of which is
27 subject to the consent of the commissioner.

28 (b) (1) The notice, consent, and filing fee provisions of
29 subdivision (a) shall also apply to any transaction listed in
30 subparagraph (A), (B), or (C) of this paragraph involving a
31 licensed underwritten title company if the conditions listed in
32 paragraph (2) apply.

33 (A) The purchase of all or substantially all of the assets of
34 another underwritten title company.

35 (B) The acquisition of outstanding shares of another
36 underwritten title company.

37 (C) The merger of the underwritten title company into another
38 licensed underwritten title company.

39 (2) The provisions of paragraph (1) shall not apply unless each
40 of the following is true with respect to the transaction:

1 (A) Both underwritten title companies have been licensed for
2 at least four years.

3 (B) Both licensees have a minimum net worth of at least four
4 times the amount specified in Section 12398.

5 (C) After the transaction, the underwritten title company
6 acquiring assets or stock, or the surviving corporation in the
7 event of a merger, will continue to have a net worth in excess of
8 four times the amount specified in Section 12389.

9 (D) Within the immediately preceding 24 months, the
10 commissioner has affirmatively consented to a transaction under
11 Section 1011 or approved a license extension under Section
12 12389 or a request for consent to transfer stock certificates.

13 (c) The notice filed pursuant to subdivision (a) or (b) shall be
14 accompanied by the filing fee required by those subdivisions and,
15 if applicable, by the fee required by Section 1011.5.